

# FOCUS OFIS

## Newsletter of the Michigan Office of Financial and Insurance Services

### Payday Lenders To Be Regulated by OFIS

After many years of negotiation, legislation regulating the payday lending industry has been signed into law and OFIS will be the agency responsible for administering that law.

Governor Granholm and OFIS pushed to ensure consumer protections were included in the law that was enacted. PA 244 of 2005 (HB 4834) was a compromise that resulted in a victory for both the industry and consumers. Citizens are protected from spiraling debt, and industry is protected from pending and future class action lawsuits alleging violations of Michigan's usury laws. After June 1, 2006, payday lenders must have a license to operate.

Payday lenders, technically called deferred presentment servicers, have become highly controversial because they charge "fees" rather than "interest" which, when annualized, allows them to recoup much higher amounts than legally allowed for credit from traditional lenders. They charge a fee for each deferred presentment transaction that, when calculated as an annual percentage rate (APR), can exceed 400% - far exceeding the 25% permitted for loans under Michigan's usury laws.

Payday lenders are often located in strip malls or outside of manufacturing plants or military bases, and offer a service to individuals who find themselves short of funds between paychecks - convenient short-term access to cash that they cannot or choose not to get from other sources. The process is quite simple and increasingly popular throughout the state.

Here's how the business works now: Let's say you need \$100. You write a check to a payday lender for \$116.50. In return, you receive \$100 when you write the check and an agreement that your check will be held for a period, typically two weeks, before it will be cashed.

Some consumers have gotten into financial difficulty when they took out multiple loans, resulting in even higher costs.

Without restrictions on the amount loaned per transaction, the fees charged for the service, and the number of times an individual may extend or roll a loan over, an individual can find him or herself in an ever-deepening financial hole.

Under the new law, payday lenders will be licensed and regulated by OFIS and will need a separate license for each location where payday lending is conducted. Payday

lenders will be required to maintain net worth of at least \$50,000 for each licensed location, up to a maximum of \$250,000 in liquid assets for any one licensee, and will have to demonstrate to the Commissioner that they have the financial responsibility, financial condition, business experience, character, and general fitness to reasonably warrant a belief that business will be conducted lawfully and fairly.

The amount of each transaction will be limited to \$600.

#### **Timeline for Payday Lending Licensing:**

- February 1, 2006 – Forms available to apply for license on OFIS website. Forms will also be accepted starting on this date.
- March 31, 2006 – Initial application deadline for those wishing to be licensed on June 1.
- June 1, 2006 – Deferred Presentment Transactors must have a license from OFIS to conduct business.
- September 30, 2007 – Initial license expires unless renewed.

(For more information, see Bulletin No. 2005-19-CF on the OFIS website.)

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## Commissioner's Corner

Happy holidays. I hope that you and your families have had a safe and fun holiday season.

Another year has begun, and we here at OFIS are excited to work with industry and consumers to ensure the best regulated environment for all. We ended 2005 on a positive note when we received re-accreditation from the NAIC, and I expect 2006 to be a very busy year.

In 2006, OFIS will begin regulating payday lenders. After many years of this being batted around in the Legislature, there is now a comprehensive law on the books to regulate payday lenders. We are working hard to meet the deadlines in the law, and look forward to the challenges that this will pose.

In Rory v. Continental, the court ruled that judges have no jurisdiction to review the "reasonableness" of insurance contracts. My staff has been hard at work coming up with solutions that will effectively position the agency to protect consumer rights by ensuring that policy clauses that conflict with the Code are identified and eliminated. We are re-examining our regulatory operations in the insurance area in light of a series of important Michigan Supreme Court decisions last summer.

I look forward to these and all other challenges OFIS will face this year, and look forward to working with the industry and consumers to ensure the best possible environment for all our regulated industries.

As always, OFIS is available to assist consumers and the industry. Please don't hesitate to contact our office toll-free at 1-877-999-6442 or at [www.michigan.gov/ofis](http://www.michigan.gov/ofis).

Sincerely,



Linda A. Watters

OFIS Commissioner



## **BREAKING NEWS:** **Mortgage Unit Re-Focused**

Office of Financial and Insurance Services (OFIS) Commissioner Linda A. Watters recently announced a re-organization designed to align the agency's anti-predatory lending efforts directly against fraud occurring in the mortgage industry.

The Examination and Investigations Unit of the Mortgage Banking Section has been transferred from the Market Conduct division of the Office of Policy, Conduct, and Consumer Assistance to the Office of Financial Evaluation. Section Head Kirt Gundry will report directly to Financial Evaluation Chief Deputy Commissioner Richard Lavolette. In addition to examining licensees, this Section is responsible for investigating complaints and undertaking enforcement actions. Licensing of entities will remain in the Market Conduct division.

Because of the explosive growth in the number of licensees coupled with increased levels of fraud, these moves will focus the attention of OFIS examiners and investigators exclusively on identifying and pursuing bad actors in the Mortgage Banking industry. This will also allow for closer coordination and sharing of best practices between the Mortgage Banking Section and the Bank and Trust and Credit Union Divisions, and will result in greater synergies between examination staffs. This move will also raise the profile of Mortgage Banking regulation, which was previously grouped in with the regulation of other Consumer Finance entities.

This comes in addition to the series of steps taken by Commissioner Watters designed to bolster OFIS' anti-predatory lending efforts. This includes expanding the annual mortgage lending survey, and successfully working with legislative leaders and industry groups to secure authorization to hire an additional 7 mortgage lending investigators in 2006.

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## Bulletins & Letters Recently Released

(Bulletins and letters can be viewed on the OFIS website at [www.michigan.gov/ofis](http://www.michigan.gov/ofis) under the Bulletins section.)

- [Bulletin No. 2006-01-INS](#) – Voluntary expedited filing procedures for compliance with the the Terrorism Risk Insurance Extension Act of 2005.
- [Bulletin No. 2005-19-CF](#) – Application process and timeline for the Deferred Presentment Service Transactions Act (payday lenders).
- [Letter 2005-CU-17](#) – Information for Credit Unions about the Earned Income Tax Credit.
- [Letter 2005-CU-16](#) – Information for Credit Unions about the IRS Request regarding 12/31/04 form 990 filings.

## Excessive Desk Rental Fees and Other Unearned Referral Fees Violate RESPA



The Real Estate Settlement Procedures Act (RESPA) prohibits kickbacks and unearned fees. Accordingly, RESPA provides that no person may enter into an agreement, oral or otherwise, to pay or receive anything of value for the referral of settlement services in

connection with mortgage loans. Referral of a settlement service is not a compensable service, except in very limited circumstances, such as an employer's payment to its own employees for referral activities.

Further, no person may give or accept any portion, split, or percentage of any charge made or received for the rendering of a settlement service in connection with mortgage loans other than for services actually performed. Payments in excess of the reasonable value of goods provided or services rendered are considered kickbacks. A charge by a person for which no or nominal services are performed or for which duplicative fees are charged is an unearned fee. RESPA defines a "thing of value" very broadly. It does not require the transfer of money and it

means just what it suggests: anything of value.

Penalties for violation of these provisions of RESPA can be severe. Violations of RESPA are violations of the Mortgage Brokers Lenders and Servicers Licensing Act, and jeopardize licensure. Despite this, illegal agreements for the referral of settlement services persist. A commonly cited example is a mortgage loan originator who "rents" a desk from a real estate broker for an amount in excess of its reasonable value. The mortgage loan originator will then become a preferred person to which the realtor will refer its prospective mortgage loan borrowers. The agreement for an excessive desk rental fee is actually an unearned referral fee paid to the real estate broker by the mortgage loan originator for the referral of the broker's prospective mortgage loan borrowers. Such arrangements are contrary to law and create an unfair advantage for mortgage brokers/lenders who participate in such agreements. If you are aware of any such arrangement, you may report it by filing a written complaint with OFIS. Instructions for filing a complaint are available on OFIS' website at [www.michigan.gov/ofis](http://www.michigan.gov/ofis).



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## Investment Adviser Questionnaires

In order for the Office of Financial and Insurance Services (OFIS) to better oversee investment advisers and root out bad actors in the industry, OFIS has strengthened its Securities section. In addition to hiring more examinations and investigations staff, OFIS now



requires investment advisers (IAs) registered with the State of Michigan to fill out an annual questionnaire. An Investment Adviser in Michigan is any person who advises others about the value of securities or about

investing in, purchasing, or selling securities.

These IA questionnaires are a new tool that will help OFIS to see the industry as a whole and identify potentially harmful industry trends. They will help OFIS to be more systematic in the examinee selection process by disclosing obvious problems (e.g. insolvency, custody of client funds, etc.) as well as potential concerns (e.g. decreasing assets under management over a five-year period). The questionnaire will also help to “level the playing field” somewhat, as registrants who are domiciled outside Michigan but have Michigan clients will also be examined.

For 2006, the questionnaire will be available online in January and February, and registered IAs will have until February 28<sup>th</sup> to complete it. Filing should take less than an hour and is mandatory. Registrants who fail to provide the information requested could be in jeopardy of losing their registration.

Information requested in the survey includes:

- a. Whether the Registrant has any branch offices
- b. Whether the Registrant has written policies and procedures in place
- c. Whether the Registrant is affiliated with a Broker-Dealer
- d. Number of clients and assets under management
- e. Registrant’s assets, liabilities, and net worth
- f. Registrant’s net income
- g. Annual cost of advertising
- h. Number of complaints received, if any

Each Investment Adviser will receive a mailing with the appropriate link to the cover page and questionnaire, and it will be posted on the OFIS website at [www.michigan.gov/ofis](http://www.michigan.gov/ofis).

## Continuing Education Changes For Insurance Producers

Several changes have been made in the last few months regarding continuing education (CE) requirements for Insurance Producers.

Until 2005, Michigan law required a minimum of 15 credit hours yearly for most Michigan producers. Every 2 years, licensees had to satisfy their 30 credit-hour requirement. Those with hardships could receive waivers. This included licensees with a terminal illness, illness of the producer or spouse that required an inordinate time for care by the licensee, or military duty.

Governor Granholm late last year signed PA 247 of 2005 (HB 4421). This bill changed Michigan’s current CE standards to the NAIC-recommended uniformity

standards — which is 24 credit hours of CE every 2 years for an insurance producer wishing to renew his or her license, with 3 of those hours in ethics.

It also eliminated provisions requiring dual-licensed individuals—those having P&C and Life and Health licenses—to have a certain number of hours in any one product line. Finally, it codified the CE active military service exemption routinely granted by OFIS.

This law takes effect on February 1, and Commissioner Watters has granted a 90 day grace



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## Bankers Reminder - Don't Forget About National Historic Preservation Act Requirements

Bankers are reminded that they are required to comply with the National Historic Preservation Act of 1966 and the implementing regulations adopted by the Advisory Council on Historic Preservation.

This regulation most frequently impacts branch applications, including the establishment of new branches and the relocation of branches or main offices. The bank is required to ensure that the property involved is not **eligible** for inclusion in the National Register of Historic Places, either because it is an historic building or because it is located in an historic district.

Verification that the property is not currently included on the National Register is only the first step in the process. Bankers should consult with the Michigan State Historic Preservation Office (SHPO) as soon as a branch application is contemplated. This consultation does not necessarily have to occur prior to an application being submitted, but does need to occur **prior to any alteration of the property or site location**. Alteration of the property includes the demolition of buildings on the site, excavation of the site, and construction of any new buildings on the site. Obtaining a building permit for the property does not fulfill all of the requirements of the regulation, and may not be considered an acceptable alternative to this process.

Please consult your primary federal regulator for more information regarding branch application requirements for your institution. Information on the Michigan SHPO review process is available at

[http://www.michigan.gov/hal/0,1607,7-160-17449\\_18638\\_21819-57477—,00.html](http://www.michigan.gov/hal/0,1607,7-160-17449_18638_21819-57477—,00.html); the state's required clearance application form can be downloaded at [http://www.michigan.gov/hal/0,1607,7-160-17449\\_18638\\_21819-98336—,00.html](http://www.michigan.gov/hal/0,1607,7-160-17449_18638_21819-98336—,00.html).

## Credit Union Laws

There are several Michigan laws that govern credit unions. In previous years, the Credit Union Division distributed hard copies of these, including a handy topical index, to each Michigan credit union and other members of the industry. This year, the CU division has taken the initiative to provide an electronic copy of the credit union laws. This will save money in publication and make it easier for industry and consumers alike to view these laws.

This document is now available for download on the OFIS website. It can be accessed on the “what’s new” section of the OFIS Credit Union website. It can also be accessed on the credit union website (at [www.michigan.gov/ofis](http://www.michigan.gov/ofis) under Industry Services/Credit Union) in the Credit Union Statutes section and is titled “Combined Credit Union Legislation Download”.

## Wellness Plan Rehab Repays Creditors \$17 Million

Office of Financial and Insurance Services (OFIS) Commissioner Linda A. Watters—in her capacity as court-appointed Rehabilitator for The Wellness Plan—has announced that eligible medical providers owed money by The Wellness Plan have been repaid what they are deemed to be owed.

Watters stressed that the priorities of rehabilitation have been continuity of care to plan members and reimbursement for the provider community. Both of these priorities have now been accomplished. She also

acknowledged the patience and support of the provider community throughout the rehabilitation process.

According to the order issued by Circuit Court Judge William Collette, OFIS has paid providers who filed timely claims with the rehabilitator. After adjudicating the claims received from hospitals, doctors, and other providers through procedures approved by the court, \$17 million of pre-rehabilitation claims have been paid to the providers who were owed funds. At least \$13 million of this has

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## OFIS Earns Re-Accreditation

A system of effective solvency regulation provides crucial safeguards for America's insurance consumers. Insurance consumers benefit when the insurance industry is strong enough financially to be able to pay and settle claims in a timely manner, to provide diverse and competitively priced products and to provide meaningful customer service.

An effective system of solvency regulation has certain basic components. It requires that regulators have adequate statutory and administrative authority to regulate an insurer's corporate and financial affairs. It requires that regulators have the necessary resources to carry out that authority. Finally, it requires that insurance departments have in place organizational and personnel practices designed for effective regulation. To guide state legislatures and state insurance departments in the development of effective solvency regulation, the National Association of Insurance Commissioners (NAIC) adopted Financial Regulation Standards in June 1989. These

Standards establish baseline requirements for an effective regulatory system in each state. To provide guidance to the states regarding the baseline Standards and an incentive to put them in place, the NAIC adopted in June 1990 a formal certification program.

Under this plan, each state's insurance department is reviewed by an independent review team whose job is to assess that department's compliance with the Standards. The Financial Regulation Standards and Accreditation Committee of NAIC, which oversees the process to hire independent contractors, comes on-site for the review. Members of the team have many years of insurance experience and are usually retired, except for their work doing accreditation reviews. An NAIC accreditation staff person is also part of the accreditation team. This staff person does not have a vote, but is part of the process to

ensure consistency in the review from state to state. The team is generally on-site for one week.

Departments meeting the Standards are publicly acknowledged, while departments not in compliance will be given guidance by the NAIC to bring the department into compliance.

The NAIC Accreditation program requires an on-site visit to each accredited state every five years. States are required to complete interim annual reviews in the intervening years so the NAIC staff can ensure that each

state continues to meet the accreditation standards. In 2005, the accreditation team for the Michigan Office of Financial and Insurance Services visited Michigan in mid-October for a week. The team was comprised of four members. Three of the members of the team reviewing OFIS previously worked for CPA firms. The fourth member previously worked for an

insurance company and state insurance department.

After the appropriate review, Michigan OFIS received a positive recommendation from the accreditation team to be reaccruited. At the 2005 winter quarterly meeting in Chicago, the Financial Regulation Standards and Accreditation Committee voted to reaccruite OFIS for another five years. Michigan OFIS has been accruited by the NAIC since the program began.

Michigan clearly met the objective of the accreditation program. This includes:

- 1) Adequate solvency laws and regulations to protect insurance consumers.
- 2) Effective and efficient financial analysis and examination processes.
- 3) Appropriate organizational and personnel practices.



From Left to Right: OFIS Chief Examiner Bob Lamberjack, former NAIC President Dianne Koken, OFIS Commissioner Linda Watters, OFIS Deputy Commissioner Judy Weaver, OFIS Manager Pamela Heemer, OFIS Deputy Commissioner Barbara Streffling

# FOCUS ON OFIS

## Recent Commissioner's Orders

- Ali M. Ghais of American Title Professional, Inc. in Dearborn Heights, MI was ordered to Cease and Desist and pay a civil fine of \$1,200 for violations of the Insurance Code.
- John T. Ottinger, Jr. of Wellbrook Properties, Inc. of Cumming, GA has been ordered to offer a refund for any securities sold in the State of Michigan by Wellbrook Properties, Inc., as well as pay \$1,500 to reimburse for investigation costs.
- Financial Investment Timing Company, Inc. of Iron Mountain, MI. was ordered to Cease and Desist and pay a civil fine of \$1,000 for violations of the Insurance Code.
- Genesee County Self-Insured Trust Pool of MI. was ordered to Cease and Desist and pay a fee of \$1,000 for violating the Insurance Code.
- National Foot Care Program, Inc. of MI. has been ordered to Cease and Desist and pay a fee of \$1,000 for violating the Insurance Code.
- Cornerstone Ministries Investments, Inc., of Cumming, GA., has been ordered to Cease and Desist from violating the Michigan Insurance Code, pay a civil penalty of \$4,000, and pay a \$500 fine.
- Deutsche Bank Securities, Inc. has been ordered to Cease and Desist from violating the Michigan Uniform Securities Act and pay \$880,634.00. This money will go towards fees, research and investor education.
- Tonia L. Jenkins has been ordered to Cease and Desist and had her nonresident producer license revoked.
- Covenant Financial Group LTD, of Columbus, Ohio, has been ordered to Cease and Desist pursuant to the Michigan Uniform Securities Act.
- First Mountain Mortgage Corp. of Southfield, Michigan agreed to pay a civil fine of \$1,000 and pay restitution of \$7,396.32 to a consumer. They have been ordered to maintain a program to monitor and assure compliance with all state and federal laws and regulations pertaining to brokering, origination, closing, and servicing of mortgage loans.
- Cynthia L. Gutierrez, dba C.G. Auto Underwriters, has been ordered to Cease and Desist pursuant to the Michigan Uniform Securities Act. Her license(s) and authority have been suspended for one year, and she must complete 16 hours of continuing education classes as well as pay a civil penalty of \$500.

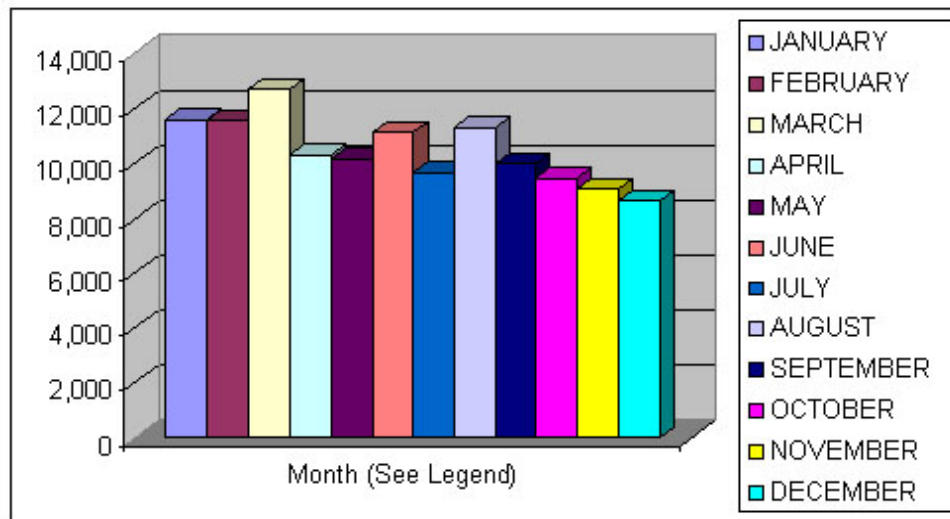
(This is a sample of Commissioner's Orders for the fourth quarter of 2005 and is not a comprehensive list.)

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## OFIS Consumer Protection: Communications Center Calls Received

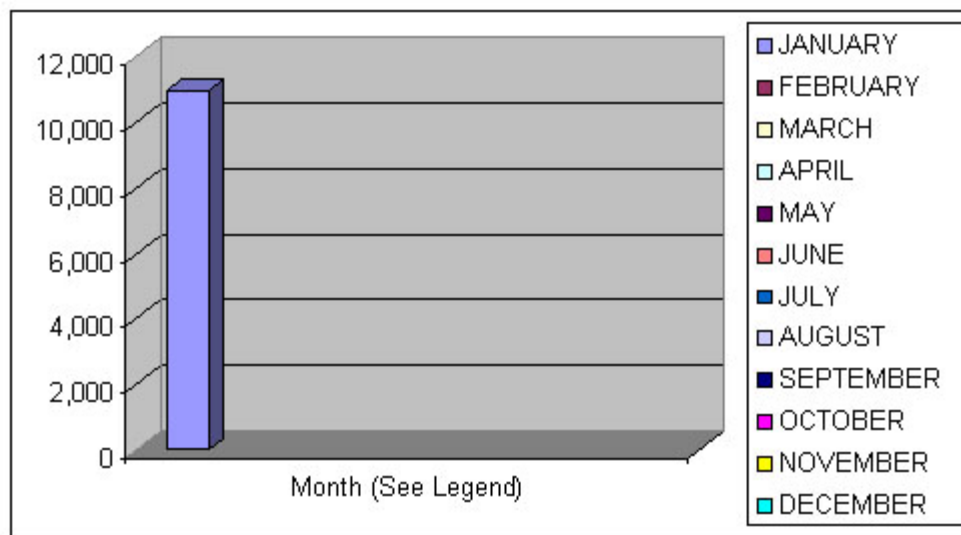
### 2005 Consumer and Regulatory Calls

<a href="#">JANUARY</a>	11,615
<a href="#">FEBRUARY</a>	11,557
<a href="#">MARCH</a>	12,726
<a href="#">APRIL</a>	10,323
<a href="#">MAY</a>	10,189
<a href="#">JUNE</a>	11,166
<a href="#">JULY</a>	9,707
<a href="#">AUGUST</a>	11,328
<a href="#">SEPTEMBER</a>	9,995
<a href="#">OCTOBER</a>	9,482
<a href="#">NOVEMBER</a>	9,112
<a href="#">DECEMBER</a>	8,682



### 2006 Consumer and Regulatory Calls

<a href="#">JANUARY</a>	10,984
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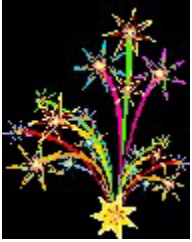
## Consumer Dollars Recovered

<b>2004:</b>	<b>2005 :</b>	<b>2006 (through January):</b>
<b>\$8,765,576.50</b>	<b>\$11,175,416.77</b>	<b>\$1,834,375</b>

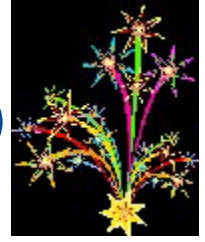
OFIS consumer protection actions often result in money recovered for Michigan consumers. These recoveries include dollars recovered by OFIS for consumers filing insurance, securities, bank, credit union, Blue Cross, HMOs, and mortgage company complaints.



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**OFIS Consumer Services Division is proud  
to announce that for the 4th Quarter of 2005, the division recorded  
\$4.5 million dollars  
in recoveries for Michigan consumers and for the state!**



## **Continuing Education Changes For Insurance Agents (con't from p. 4)**

period for all agents whose licenses expire on February 1 or March 1 of 2006. This grace period only pertains to the ethics credit, and the other 21 CE credits required must be satisfied prior to renewal date.

The Michigan Association of Insurance Agents (MAIA) has already created an ethics course so that agents can satisfy this new requirement, and this has been approved by OFIS. The course will be offered at the MAIA convention in Traverse City in February.

Michigan has the lowest resident producer license fees

of any state in the nation. While fees go as high as \$320 per license per year in New Jersey, Michigan fees remain low at \$10.

There are approximately 100,000 total licensees in Michigan. The OFIS licensing division processes approximately 1,700 new producer and agency licenses per month.

For more information, see the OFIS CE Q&A website at [http://www.michigan.gov/cis/0,1607,7-154-10555\\_22535-134249--,00.html](http://www.michigan.gov/cis/0,1607,7-154-10555_22535-134249--,00.html).

## **Wellness Plan Rehab Repays Creditors \$17 Million (con't from p. 5)**

already been cashed. The Wellness Plan paid 100% of the contracted amount owed to the providers.

OFIS has been responsible for the rehabilitation of the Wellness Plan since the order was issued in July of 2003. Continuity of care was ensured in June of 2004, when the rights to serve the Medicaid members of The Wellness Plan HMO were sold. Providing full reimbursement to creditors is a major accomplishment in the rehabilitation of The Wellness Plan.

Protecting consumers and creditors from troubled HMO's has been a top priority of OFIS during Commissioner Watters' tenure. The Wellness Plan has been a good example of the successful efforts the state regulator can take to protect the public from insolvent

HMO's. Creditors have now been paid, and clinics have been saved in Detroit which are a tremendous resource and provide the necessary care that many Detroiters need. Detroit citizens have also been able to receive care through Medicare, Medicaid and commercial plans at the clinics that are former Wellness Plan facilities. These clinics continue to provide services to the many Detroit residents who struggle to receive the medical treatment that they need.

In mid-October, Commissioner Watters also announced that she had filed a letter of intent for Federally Qualified Health Center (FQHC) "look-alike" status for the network of clinics operated by The Wellness Plan (TWP).

# FOCUS ON OFIS

## **Payday Lenders To Be Regulated (con't from p.1)**

An individual may have a total of two transactions open at any one time, but not more than one with the same payday lender. The payday lender would have to determine eligibility of a customer before entering into a transaction. This will be facilitated by a database which will be operated by OFIS and can be checked by the licensee.

Specific fee maximums are set for each loan on a sliding scale, and no other interest or fees can be charged. The charges allowable are as follows:

- For the first \$100, the fee may be up to 15%.
- For the second \$100, the fee may be up to 14%.
- For the third \$100, the fee may be up to 13%.
- For the fourth \$100, the fee may be up to 12%.
- For the fifth \$100, the fee may be up to 11%.
- For the sixth \$100, the fee may be up to 11%.

So, for a maximum \$600 loan, the rate would be 12.6% and the fee would be \$76 ( $\$15 + \$14 + \$13 + \$12 + \$11 + \$11 = \$76$ ).

The law also gives customers a self-help remedy similar to that contained in the "item-pricing" law. Customers may, within a limited time, present evidence of a violation to the licensee and the licensee must determine if it agrees with the customer. If the licensee agrees, it must return the check and fees and pay restitution equal to five times the amount of the fee charged, but not less than \$15 or more than the face amount of the check. Receiving restitution bars the customer from seeking any further redress for that violation. If the licensee does not agree, it may present the check for payment or enter the check into the check-clearing process on or after the maturity date. If the customer still believes that the licensee violated the law, he or she may file a written complaint including supporting documents or other evidence with OFIS. If, after investigating the customer's complaint, the Commissioner determines that the licensee violated the act, the Commissioner may order the licensee to make restitution to the customer in an amount equal to three times what the licensee would have been responsible for paying if it had agreed with the customer and provided restitution at the first step, but not less than \$45 or more than three times the full amount of the check. Payment of restitution under these circumstances does not bar further action by the Commissioner under the act.

Customers would be given a grace period, and could rescind contracts by the close of the next business day; and could redeem a check by paying the face amount of the check at any time before the maturity date stated in the agreement. Licensees would be prohibited from seeking criminal penalties against a customer because the customer entered into an agreement or his or her check is dishonored, from presenting a check for payment before the maturity date, and from including in a deferred presentment services agreement a confession of judgment. Customers may file complaints with OFIS.

Any customer who has entered into eight transactions in any 12 month period could voluntarily enter into a repayment plan for an additional fee of \$15 (which increases according to inflation after 2011). The money owed would then be paid back in three equal installments, and the customer would not be eligible to enter into any new transactions during the period of the repayment plan.

OFIS staff is working to ensure the deadlines set forth in the law are met. The law requires OFIS to implement the statewide common database by December 31, 2006. Personal identifying customer information contained in the database is confidential, and is not a matter of public record, is not subject to discovery, subpoena, or other compulsory process except in a civil action allowed under the Payday Lending law, and is not to be disclosed to anyone but the Commissioner.

Payday lenders are allowed to charge and collect a returned check charge of \$25, which is indexed to inflation after 2011.

While some opponents of the bill have claimed it would hurt the payday lending industry, studies of the industry in states where similar laws have been enacted have shown no ill effect on payday lending institutions, large or small. After passage of a law in Oklahoma, the single largest growth rate occurred among smaller payday lending companies with two to five locations. Florida, which has a straight 10% fee, coupled with a \$5 verification fee, still has a thriving payday lending industry.

Governor Granholm had previously vetoed a payday lending bill because the effective transaction fee was too high at 15.37%, but signed this bill saying, "This bill contains strong consumer protections and will protect Michigan consumers from the pitfalls of debt".